

Message Text

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ACTION ARA-10

INFO OCT-01 IO-10 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

OPIC-03 SIL-01 XMB-02 /107 W
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R 052346Z AUG 75

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 9264

INFO USMISSION MTN GENEVA UNN

AMCONSUL CIUDAD JUAREZ UNN

AMCONSUL GUADALAJARA UNN

AMCONSUL HERMOSILLO UNN

AMCONSUL MATAMOROS UNN

ZENPXAMCONSUL MAZATLAN UNN

AMCONSUL MERIDA UNN

AMCONSUL MONTERREY UNN

AMCONSUL NUEVO LAREDO UNN

AMCONSUL TIJUANA UNN

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E. O. 11652: N/A

TAGS: ETRD, MTN,OVIP,(DENT, FREDERICK), MX

SUBJECT: AMBASSADOR DENT'S VISIT TO MEXICO

REF: (A) MEXICO 6658; (B) STATE 161112

1. SUMMARY: AMBASSADOR DENT, STR, HAD MOST SUCCESSFUL
VISIT TO MEXICO JULY 30-AUGUST 3, MEETING WITH SECRETARY
OF TREASURY, SECRETARY OF INDUSTRY AND COMMERCE, KEY
MEXICAN GOVERNMENT OFFICIALS IN MTN AREA, AND VISITING
PLANTS AND TEXTILE MILL. AMBASSADOR DENT ADDRESSED
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SPECIAL SEMINAR OF AMERICAN CHAMBER OF COMMERCE IN MEXICO,

AND PARTICIPATED IN HIGH-LEVEL BREAKFAST MEETING WITH MEXICAN AND U.S. CHIEF EXECUTIVES OF PRIVATE SECTOR ENTERPRISES. PRESS COVERAGE OF VISIT WAS FAVORABLE. END SUMMARY

2. AMBASSADOR FREDERICK DENT, PRESIDENT'S SPECIAL TRADE REPRESENTATIVE (STR) VISITED MEXICO JULY 30-AUGUST 3 FOLLOWING INVITATION BY AMERICAN CHAMBER OF COMMERCE IN MEXICO TO ADDRESS SPECIAL SEMINAR ON CHANGING WORLD TRADE SCENE. DURING THE COURSE OF HIS VISIT, HE ALSO HAD MEETINGS WITH SECRETARY OF TREASURY LIC. JOSE LOPEZ PORTILLO; SECRETARY OF INDUSTRY AND COMMERCE JOSE CAMPILLO SAINZ; AND DIRECTOR GENERAL OF INTL ECON AFFAIRS IN TREASURY LIC. HECTOR HERNANDEZ (WITH LIC. ABEL GARRIDO). AMB. DENT HAD OPPORTUNITY TO EXCHANGE VIEWS WITH PUBLIC AND PRIVATE SECTOR LEADERS DURING BREAKFAST MEETING WITH CHIEF EXECUTIVE OFFICERS (BOTH MEXICAN AND AMERICAN) OF LEADING TRANSNATIONAL ENTERPRISES IN MEXICO, IN PLANT VISITS AND ON SOCIAL OCCASIONS (E.G. DURING DINNER OFFERED BY DCM HE HAD OPPORTUNITY TO TALK WITH LIC. ERNESTO FERNANDEZ URTADO, DIRECTOR GENERAL OF BANCO DE MEXICO, CENTRAL BANK). N.B. BELOW SUMMARIES NOT CLEARED BY STR.

3. PROGRAM COMMENCED EVENING JULY 30 WITH ARRIVAL AMB. DENT AND STEPHEN LANDE, STR, AND BRIEFING BY EMBASSY ECONOMIC COUNSELOR AND ECONOMIC OFFICER. ON JULY 31, ACCOMPANIED BY AMBASSADOR, STR VISITORS BREAKFASTED WITH PRIVATE SECTOR LEADERS, AND BRIEFED THEM ON CURRENT MTN AFFAIRS, FOLLOWED BY LIVELY DIALOGUE ON CURRENT MEXICAN TRADE PROBLEMS (E.G. NEW MEXICAN IMPORT RETRIBUTIONS, ALLEGED INEQUITIES IN TAX LAWS AND EXPORT INCENTIVES, AND CURRENT ECONOMIC PROBLEMS HERE SUCH AS INFLATION AND GROWING CURRENT ACCOUNT DEFICIT). MEETING WAS MOST USEFUL, AND SERVED TWIN PURPOSE OF BRIEFING TOP EXECUTIVES ON MTN AND MAKING STR OFFICIALS AWARE OF LOCAL ECONOMIC SCENE.

4. AMBASSADOR AND ECON COUN THEN ACCOMPANIED AMB. DENT FOR MEETING WITH SECRETARY OF TREASURY LOPEZ PORTILLO:
A. DURING COURSE MEETING, SECRETARY DESCRIBED MEXICO'S CURRENT ECONOMIC PROBLEMS, NOTING THE "REAL" LIMITED OFFICIAL USE

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TROUBLES ON THE INTERNATIONAL ECONOMIC SCENE WERE BEING BORNE NOT SO MUCH BY THE DEVELOPED COUNTRIES, OR BY THE VERY POOR COUNTRIES WHO WERE BEING TAKEN CARE OF, BUT BY "IN-BETWEEN" COUNTRIES SUCH AS MEXICO. AMB. DENT DESCRIBED IMPROVEMENTS IN U.S. ECONOMY, COOLING OFF OF INFLATION (NOTING THIS WOULD HELP MEXICO), AND INDICATED RECOGNITION PROBLEM OF U.S. RECESSION ON MEXICAN EXPORTS TO U.S. SECRETARY REPLIED THAT MEXICAN

ECONOMY NOW IN PURGATORY; EITHER IT RISES TO HEAVEN,
OR DESCENDS TO HELL.

B. SUBSEQUENTLY, MTN WAS DISCUSSED, INCLUDING
MEXICAN INTEREST IN PREVENTING EROSION GSP, WITH POSSIBLE
"INSTITUTIONALIZATION" OF GSP IN FUTURE. IT WAS AGREED
THAT MEXICAN GROUP SHOULD MEET WITH U.S.
OFFICIALS IN WASHINGTON DURING FIRST WEEK IN SEPTEMBER
TO CONTINUE DISCUSSIONS ON TRADE NEGOTIATIONS, WITH
POSSIBILITY FURTHER DISCUSSIONS IN NOVEMBER.
C. IN DISCUSSION TRA, GOM OFFICIALS SAID THAT THEY
HAD REACTED QUIETLY, EVEN FAVORABLY, TO PASSAGE OF U.S.
LAW. NOTING THAT THIS MAY HAVE BEEN THEIR PRIVATE
REACTION, AMBASSADOR JOVA POINTED OUT THAT SEVERAL
GOM OFFICIALS HAD DEMONSTRATED IN PUBLIC A STRONG
ADVERSE REACTION TO TRA.

5. SUBSEQUENTLY AMB. DENT AND LANDE, WITH ECON COUN,
MET WITH LIC. HECTOR HERNANDEZ, DIR. GEN. AND LIC. ABEL
GARRIDO, DEPUTY, IN TREASURY'S OFFICE OF INTL ECON
AFFAIRS. HIGHLIGHTS OF MEETING WERE:

A. MEXICO HAS DECIDED TO LIBERALIZE AND RATIONALIZE
TARIFF SCHEDULE, IN ORDER PROMOTE MORE ORDERLY APPLICA-
TION OF MECHANISMS FOR CONTROL OF IMPORTS. BASIC CHANGE
IN NEW LAW ACCORDING TREASURY OFFICIALS IS ELIMINATION
WIDE DISPARITIES IN TRAIF, AND STRUCTURING PROTECTION
LEVELS ACCORDING DEGREE PROCESSING OF GIVEN PRODUCTS.
NEW MEXICAN TARIFF ELIMINATES SPECIFIC DUTIES, USING ONLY
AD VALOREM DUTIES, WHICH APPLY WITHOUT DISCRIMINATION TO
ARTICLES WHICH COMPETE WITH THOSE PRODUCED IN MEXICO AND
THOSE WHICH DO NOT. EXCEPT FOR MOTOR VEHICLES ASSEMBLED
ABROAD, MAXIMUM LAVEL OF DUTY NEW TARIFF IS 75
PERCENT. (MEXICANS NOTED THAT LONG-RANGE PLAN IS TO
ELIMINATE PRESENT IMPORT LICENSING SYSTEM AFTER TARIFF
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SYSTEM REFORMS COMPLETE BUT POINTED OUT THIS MUST NOT
BECOME KNOWN IN MEXICO).

B. ON QUESTION DIFFERENTIAL TREATMENT FOR LDC'S
MEXICANS EXPRESSED UNDERSTANDING THAT DIFFERENTIAL
TREATMENT DOES NOT MEAN EXEMPTION FROM OBLIGATIONS.
HERNANDEZ AND GARRIDO INDICATED THEY MAY HAVE SOME

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STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

OPIC-03 SIL-01 XMB-02 /107 W
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R 052355Z AUG 75

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 9265

INFO USMISSION MTN GENEVA UNN

AMCONSUL CIUDAD JUAREZ UNN

AMCONSUL GUADALAJARA UNN

AMCONSUL HERMOSILLO UNN

AMCONSUL MATAMOROS UNN

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SPECIFIC SUGGESTIONS ON THIS SUBJECT TO TABLE AT
WASHINGTON MEETINGS IN SEPTEMBER.

C. ON QUESTION RECENT POLICY SHARP IMPORT RESTRIC-
TIONS, MEXICANS INDICATED THAT THIS IS SHORT-TERM
PHENOMENON, HOPEFULLY TO BE DROPPED IN NEAR FUTURE,

ESPECIALLY AS OVER TIME APPLICATION OF IMPORT LICENSES

TO WIDE RANGE OF INTERMEDIATE PRODUCTS WOULD AFFECT
DOMESTIC PRODUCTION.

D. RE GATT MEMBERSHIP, MEXICANS NOTED EVER GREATER
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PARTICIPATION IN GATT ACTIVITIES IN OBSERVER STATUS.
HOWEVER, THEY WILL NOT DECIDE QUESTION GATT ACCESSION
UNTIL ABLE TO EVALUATE RESULTS OF MTN. ALTHOUGH THEY

BELIEVE THEIR NEW IMPORT SYSTEM WILL BE CONSISTENT WITH GATT, THEY ARE NOT YET WILLING TO SUBMIT THEIR SYSTEM TO THE GATT FOR STUDY.

6. FOLLOWING MEETING WITH TREASURY OFFICIALS, AMB. DENT SPOKE TO AMCHAM SEMINAR ON THEME NEW DIRECTIONS IN FOREIGN TRADE. SPEECH EXTREMELY WELL RECEIVED, AND SEVERAL TOUGH QUESTIONS EXPERTLY HANDLED. PRESS COVERAGE OF EVENT (POUCHING CLIPPINGS TO STR) WAS FAVORABLE. JULY 31 ENDED WITH DINNER FOR AMB. DENT(ATTENDING BY AMB. AND MRS. JOVA) HOSTED OY SECRETARY OF INDUSTRY AND COMMERCE CAMPILLO SAINZ.

7. ON AUGUST 1, FOLLOWING GUIDED TOUR AT GOM INDUSTRIAL COMPLEX AT CIUDAD SAHAGUN, AMB. DENT AND EMBECONOFF MET WITH CAMPILLO SAINZ. HIGHLIGHTS OF VISIT INCLUDED:

- A. REVIEW BY AMB. DENT OF CURRENT STATUS MTN.
- B. DISCUSSION OF CURRENT IMPORT RESTRICTION PROGRAM, WHICH WAS EXPLAINED BY CAMPILLO SAINZ AS A TEMPORARY MEASURE PENDING IMPLEMENTATION REVISED TARIFF SCHEDULES. SECRETARY CAMPILLO SAINZ EMPLAINED THAT UNDER THE NEW PLAN, SOME TARIFFS WOULD BE RAISED AS PRELIMINARY TO ELIMINATION OF IMPORT LICENSING REQUIREMENTS AND THAT WORD TO THAT EFFECT HAD BEEN CIRCULATING IN BUSINESS COMMUNITY. THUS IMPORTS THESE ITEMS HAD TO BE RESTRICTED BY DENIAL EXPORT LICENSES, OR THEY WOULD HAVE BEEN PURCHASED IN IMMENSE QUANTITIES AT PREVAILING LOWER DUTIES, RESULTING IN UNACCEPTABLE INCREASE IN CURRENT ACCOUNT DEFICIT. CAMPILLO SAINZ SAID THAT AS A BUSINESSMAN HIMSELF, HE FULL WELL REALIZED THE POTENTIAL UNFAVORABLE IMPACT ON DOMESTIC PRODUCTION IF CERTAIN KEY ITEMS WERE UNAVAILABLE DUE TO BUREAUCRATIC IMPORT BOTTLENECKS, AND VOWED THAT THIS WOULD BE HELD TO AN IRRIDUCBLE MINIMUM. "WE ARE NOT SUICIDES" HE DECLARED, AND ADDED THAT COMPUTER PROGRAMMING WOULD HELP TO EXPEDITE THE EARLY APPROVAL OF URGENTLY-NEEDED INTER-MEDIATE GOODS.
- C. AMB. DENT POINTED OUT THE APPARENT DISCREPANCY LIMITED OFFICIAL USE

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BETWEEN THE PRIVATE ASSURANCES BY GOM OFFICIALS THAT THEY ARE FRIENDS OF THE U.S. AND WELCOME FOREIGN PRIVATE DIRECT INVESTMENT BY U.S. FIRMS ON THE ONE HAND, AND THE SOMETIMES SHRILL RHETORIC INDULGED BY MEXICAN SPOKESMEN AT INTERNATIONAL OFRA. SECRETARY CAMPILLO SAINZ NOTED THAT MEXICAN CRITICISMS ON THESE OCCASIONS WAS REALLY DIRECTED AT THOSE TRANSNATIONAL ENTERPRISES WHICH ABUSED THE HOSPITALITY OF LDCS, AND NOT AT EITHER THE USG, OR TNES WHICH OBEY THE RULES OF THE GAME. HE ADDED THAT WHILE MEXICO WANTED TO BE A GOOD FRIEND

OF THE U.S., IT WAS SOMETIMES DIFFICULT TO EXPRESS SUCH SOLIDARITY AT PUBLIC INTERNATIONAL FORA, AS THIS COULD LEAD TO CHARGES BY OTHER THIRD WORLD COUNTRIES(HE MENTIONED PERU, ECUADOR, INDIA, AND VENEZUELA) THAT MEXICO HAD SOLD OUT TO THE U.S. AMB. DENT POINTED OUT THAT THERE IS A GREAT DEMAND FOR PRIVATE DIRECT INVESTMENT THROUGHOUT THE WORLD, AND THAT THIS INVESTMENT WOULD GO TO PLACES WHERE THE INVESTORS WOULD BE MADE TO FEEL WELCOME.

D. SECRETARY CAMPILLO SAINZ RAISED THE QUESTION OF DUTY-FREE (IN-BOND) STORES OPERATING ON THE U.S. SIDE OF THE BORDER, WHICH HE CLAIMS ARE THE SOURCE OF CONSIDERABLE CONTRABAND SMUGGLED INTO MEXICO. AMB. DENT PROMISED TO LOOK THOROUGHLY INTO THIS MATTER, AND TO BE BACK IN COMMUNICATION WITH SECRETARY CAMPILLO SAINZ AT A LATER DATE.

8. ON AUGUST 2, AMB. DENT TOURED CUERNAVACA INDUSTRIAL PARK, VISITING TEXTILES MORELOS PLANT, AND HAD LUNCH, TO WHICH TEXTILES MORELOS FINANCIAL DIRECTOR INVITED, AT HOME LEADING MEXICAN BANKER. AMB. DENT DEPARTED MORNING AUGUST 3.

9. COMMENT: WE FEEL THAT AMB. DENT'S VISIT WAS MOST SUCCESSFUL, AND MEETINGS WITH KEY CABINET MINISTERS AND OTHER SENIOR OFFICIALS TURNED OUT TO BE VERY USEFUL. WE ARE POUCHING FURTHER MATERIAL, MEMCONS, BRIEFING PAPERS TO STR TO PROVIDE FULLER RECORD OF VISIT.
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